

AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type: <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name: <u>Township of Bruce</u>	County Macomb
Audit Date March 31, 2006	Opinion Date June 8, 2006	Date Accountant Report Submitted To State: September 5, 2006	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:


1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations.

You must check the applicable box for each item below:

- | | |
|---|---|
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91] or P.A. 55 of 1982, as amended [MCL 38.1132]) |
| <input checked="" type="checkbox"/> yes <input type="checkbox"/> no | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Reports on individual federal assistance programs (program audits).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Single Audit Reports (ASLGU).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

Certified Public Accountant (Firm Name): PLANTE & MORAN, PLLC			
Street Address River Ridge Corporate Center 19176 Hall Road, Suite 300	City Clinton Township	State MI	ZIP 48038
Accountant Signature 			

**Township of Bruce
Macomb County, Michigan**

**Financial Report
with Supplemental Information
March 31, 2006**

Township of Bruce

Contents

Report Letter	1-2
Management's Discussion and Analysis	3-7
Basic Financial Statements	
Government-wide Financial Statements:	
Statement of Net Assets	8
Statement of Activities	9-10
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	11
Reconciliation of Fund Balances to the Statement of Net Assets	12
Statement of Revenue, Expenditures, and Changes in Fund Balances	13
Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	14
Proprietary Fund - Enterprise - Sewer Fund:	
Statement of Net Assets	15
Statement of Revenue, Expenses, and Changes in Net Assets	16
Statement of Cash Flows	17
Fiduciary Funds - Statement of Assets and Liabilities - Agency Funds	18
Notes to Financial Statements	19-32
Required Supplemental Information	33
Budgetary Comparison Schedule - General Fund	34
Budgetary Comparison Schedule - Major Special Revenue Funds	35-37
Note to Required Supplemental Information	38
Other Supplemental Information	39
Nonmajor Governmental Funds:	
Combining Balance Sheet	40
Combining Statement of Revenue, Expenditures, and Changes in Fund Balances	41
Fiduciary Funds - Combining Statement of Assets and Liabilities	42

Independent Auditor's Report

To the Board of Trustees
Township of Bruce
Macomb County, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Township of Bruce (the "Township") as of and for the year ended March 31, 2006, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township of Bruce's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Township of Bruce as of March 31, 2006 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and the budgetary comparison schedules, as identified in the table of contents, are not a required part of the basic financial statements but are supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

To the Board of Trustees
Township of Bruce
Macomb County, Michigan

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township of Bruce's basic financial statements. The accompanying other supplemental information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Plante & Moran, PLLC

June 8, 2006

Township of Bruce

Management's Discussion and Analysis

As management of the Township of Bruce, Michigan (the "Township"), we offer readers of the Township's financial statements this narrative overview and analysis of the Township's financial activities for the fiscal year ended March 31, 2006. We encourage readers to consider information presented here in conjunction with additional information that is furnished in the Township's financial statements.

Using this Annual Report

This annual report consists of a series of financial statements. The statement of net assets and the statement of activities provide information about the activities of the Township as a whole and present a longer-term view of the Township's finances. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year, and whether the taxpayers have funded the full cost of providing government services.

The fund financial statements present a short-term view; they tell us how the taxpayers' resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide financial statements by providing information about the Township's most significant funds. The fiduciary fund statements provide financial information about activities for which the Township acts solely as a trustee or agent for the benefit of those outside of the government.

Township of Bruce

Management's Discussion and Analysis (Continued)

The Township as a Whole

The following table shows, in a condensed format, the net assets as of the current date and compared to the prior year (in thousands of dollars).

	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
Assets						
Current	\$ 3,319	\$ 3,209	\$ 1,296	\$ 799	\$ 4,615	\$ 4,008
Noncurrent	3,301	3,487	6,136	6,206	9,437	9,693
Total assets	6,620	6,696	7,432	7,005	14,052	13,701
Liabilities						
Current liabilities	452	399	582	108	1,034	507
Long-term liabilities	581	663	3,341	3,341	3,922	4,004
Total liabilities	1,033	1,062	3,923	3,449	4,956	4,511
Net Assets						
Invested in capital assets -						
Net of related debt	2,727	2,778	2,795	2,864	5,522	5,642
Restricted	1,658	1,340	-	-	1,658	1,340
Unrestricted	1,202	1,516	714	692	1,916	2,208
Total net assets	<u>\$ 5,587</u>	<u>\$ 5,634</u>	<u>\$ 3,509</u>	<u>\$ 3,556</u>	<u>\$ 9,096</u>	<u>\$ 9,190</u>

The Township's assets are divided into two categories: business-type activities and governmental-type activities. The combined net assets decreased from \$9.19 million to \$9.10 million. The governmental-type activities showed a decrease of \$47,000 in net assets, which equates to 0.8 percent. This decrease was a result of recording estimated property tax refunds. The business-type activities showed a decrease of \$47,000 in net assets, which equates to 1.3 percent. This decrease was a result of increased operation and maintenance costs that were not passed on to the residents.

Township of Bruce

Management's Discussion and Analysis (Continued)

The following table shows the changes in the net assets during the current year and prior year (in thousands of dollars).

	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
Revenue						
Program revenue:						
Charges for services	\$ 602	\$ 630	\$ 214	\$ 232	\$ 816	\$ 862
Operating grants and contributions	-	-	-	84	-	84
Capital grants and contributions	40	99	-	-	40	99
General revenue:						
Property taxes	1,691	1,599	-	-	1,691	1,599
State-shared revenue	421	523	-	-	421	523
Unrestricted investment earnings	140	63	120	38	260	101
Miscellaneous	177	179	-	-	177	179
Gain on sale of assets	-	2	-	-	-	2
Total revenue	3,071	3,095	334	354	3,405	3,449
Program Expenses						
General government	1,111	669	-	-	1,111	669
Public safety	1,856	1,923	-	-	1,856	1,923
Public works	127	289	-	-	127	289
Interest on long-term debt	24	54	-	-	24	54
Water and sewer	-	-	381	327	381	327
Total program expenses	3,118	2,935	381	327	3,499	3,262
Change in Net Assets	\$ (47)	\$ 160	\$ (47)	\$ 27	\$ (94)	\$ 187

Governmental Activities

The Township's total governmental revenues were approximately \$3.1 million. The Township's total governmental expenditures were approximately \$3.1 million. Increases were led by continued increases in health care costs and property insurance rates, a contribution to road construction costs, roof repair on the Township hall, payout of a full-time employee's retirement benefit package, and additional costs for hosting school elections based upon the new state law enacted.

Business-type Activities

The Township's business-type activities consist of the Sewer Fund. We provide sewage treatment through a sewage treatment plant that is owned and operated by the Village of Romeo. The Township leases capacity from the Village of Romeo.

Township of Bruce

Management's Discussion and Analysis (Continued)

The Township's Funds

Our analysis of the Township's major funds begins on page 11, following the government-wide financial statements. The fund financial statements provide detail information about the most significant funds, not the Township as a whole. The Township board creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as special property tax millages. The Township's major funds for 2006 include the General Fund, the Fire Fund, the Advanced Life Support Fund, the Romeo Service Contract Fund, and the 2002 Special Assessment Fund.

The General Fund pays for most of the Township's governmental services. The most significant are assessing and building inspection departments, which incurred expenses of approximately \$145,000 and \$130,000, respectively, in 2006. Fire and advanced life support services are supported primarily through special millages that are recorded in the respective funds. The Fire and Advanced Life Support Funds recorded the receipt of approximately \$570,000 and \$801,000, respectively, from these millages in the current year.

General Fund Budgetary Highlights

Over the course of the year, the Township amended the budget to take into account events during the year. The most significant change was an increase in public safety in the Fire and ALS Funds. This was a result of building improvements made to the Romeo substation and an increase in hours worked by part-time firefighters due to increased demand. Revenues were higher than anticipated due to higher yields in the market resulting in greater interest earnings. In addition, other fluctuations or changes include:

- New building permits were down and home sales slow within the Township.
- Part-time staff hours were reviewed and capped or reduced in various departments.
- A new personnel policy was adopted to implement additional review and control measures.

Economic Factors and Next Year's Budgets and Rates

Future increases in state-shared revenue are unpredictable due to the state of the economy in Michigan.

Capital Asset and Debt Administration

In December 2004, the Township board approved issuing \$3,375,000 of general obligation capital improvement bonds for the expansion and renovation of the Village of Romeo waste water treatment plant. The Township does not have ownership in this facility; however, the Township utilizes this facility to service the Township's residents. This expansion was necessary to provide sewer support to the industrial district. Interest payments for this bond issue started in the current fiscal year. At this time, structure is still in the construction phase and taps to generate revenue are not being sold yet.

Township of Bruce

Management's Discussion and Analysis (Continued)

Contacting the Township's Management

This financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of the Township's finances and to show the Township's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the clerk's office.

Township of Bruce

Statement of Net Assets March 31, 2006

	Primary Government		
	Governmental	Business-type	
	Activities	Activities	Total
Assets			
Cash and investments (Note 2)	\$ 2,801,395	\$ 1,245,675	\$ 4,047,070
Receivables:			
Taxes	116,472	-	116,472
Customers	-	42,915	42,915
Special assessments	217,011	-	217,011
Contracts and other	4,381	7,113	11,494
Due from other governmental units	107,494	-	107,494
Prepaid costs and other assets	72,229	-	72,229
Restricted assets (Note 6)	-	1,413,466	1,413,466
Capital assets (Note 4):			
Nondepreciable capital assets	680,770	1,955,296	2,636,066
Depreciable capital assets	2,620,339	2,767,429	5,387,768
Total assets	6,620,091	7,431,894	14,051,985
Liabilities			
Accounts payable	133,099	581,659	714,758
Accrued and other liabilities	73,830	388	74,218
Deferred revenue (Note 3)	84,754	-	84,754
Noncurrent liabilities (Note 7):			
Due within one year	159,993	-	159,993
Due in more than one year	581,090	3,341,250	3,922,340
Total liabilities	1,032,766	3,923,297	4,956,063
Net Assets			
Invested in capital assets - Net of related debt	2,727,045	2,794,941	5,521,986
Restricted:			
Capital projects	138,841	-	138,841
Cemetery perpetual care	11,291	-	11,291
Romeo service contract	66,612	-	66,612
Fire and advanced life support	1,441,111	-	1,441,111
Unrestricted	1,202,425	713,656	1,916,081
Total net assets	\$ 5,587,325	\$ 3,508,597	\$ 9,095,922

Township of Bruce

		Program Revenues		
		Charges for	Operating	Capital Grants
	Expenses	Services	Grants and	and
			Contributions	Contributions
Functions/Programs				
Primary government:				
Governmental activities:				
General government	\$ 1,110,533	\$ -	\$ -	\$ -
Public safety	1,856,067	587,584	-	40,292
Public works	127,396	14,751	-	-
Interest on long-term debt	23,592	-	-	-
Total governmental activities	3,117,588	602,335	-	40,292
Business-type activities - Sewer	380,544	213,502	-	-
Total primary government	<u>\$ 3,498,132</u>	<u>\$ 815,837</u>	<u>\$ -</u>	<u>\$ 40,292</u>

General revenues:
 Property taxes
 State-shared revenues
 Unrestricted investment earnings
 Miscellaneous

Total general revenues

Change in Net Assets

Net Assets - Beginning of year

Net Assets - End of year

Statement of Activities
Year Ended March 31, 2006

Net (Expense) Revenue and Changes in Net Assets		
Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (1,110,533)	\$ -	\$ (1,110,533)
(1,228,191)	-	(1,228,191)
(112,645)	-	(112,645)
(23,592)	-	(23,592)
(2,474,961)	-	(2,474,961)
-	(167,042)	(167,042)
(2,474,961)	(167,042)	(2,642,003)
1,690,637	-	1,690,637
420,429	-	420,429
140,212	119,735	259,947
177,135	-	177,135
2,428,413	119,735	2,548,148
(46,548)	(47,307)	(93,855)
5,633,873	3,555,904	9,189,777
\$ 5,587,325	\$ 3,508,597	\$ 9,095,922

Township of Bruce

Governmental Funds Balance Sheet March 31, 2006

	General Fund	Fire	Advanced Life Support	Romeo Service Contract	2002 Special Assessment	Nonmajor Governmental Funds	Total Governmental Funds
Assets							
Cash and investments (Note 2)	\$ 880,306	\$ 604,376	\$ 757,329	\$ 167,127	\$ 138,202	\$ 254,055	\$ 2,801,395
Receivables:							
Taxes	26,877	37,060	52,535	-	-	-	116,472
Special assessments	41,572	-	17,499	16,728	141,212	-	217,011
Contracts and other	1,914	523	1,870	37	20	17	4,381
Due from other funds (Note 5)	11,748	40	821	82	-	32	12,723
Due from other governmental units	107,494	-	-	-	-	-	107,494
Prepaid costs	17,524	16,648	25,168	12,889	-	-	72,229
Total assets	\$ 1,087,435	\$ 658,647	\$ 855,222	\$ 196,863	\$ 279,434	\$ 254,104	\$ 3,331,705
Liabilities and Fund Balances							
Liabilities							
Accounts payable	\$ 118,249	\$ 3,600	\$ 7,016	\$ 4,171	\$ 63	\$ -	\$ 133,099
Accrued and other liabilities	24,996	11,938	22,026	11,709	-	-	70,669
Due to other funds (Note 5)	746	10,639	40	-	-	1,298	12,723
Deferred revenue (Note 3)	74,183	-	17,499	101,482	140,530	-	333,694
Total liabilities	218,174	26,177	46,581	117,362	140,593	1,298	550,185
Fund Balances							
Reserved for prepaid expenditures	17,524	16,648	25,168	12,889	-	-	72,229
Unreserved, reported in:							
General Fund - Designated for postretirement health care costs	100,000	-	-	-	-	-	100,000
Special Revenue Funds:							
Designated for cemetery perpetual care	-	-	-	-	-	11,291	11,291
Designated for postretirement health care costs	-	50,000	50,000	-	-	-	100,000
Designated for Romeo service contract	-	-	-	66,612	-	-	66,612
Undesignated	-	565,822	733,473	-	-	241,515	1,540,810
Capital Projects Funds - Designated for capital improvements	-	-	-	-	138,841	-	138,841
Unreserved - Undesignated	751,737	-	-	-	-	-	751,737
Total fund balances	869,261	632,470	808,641	79,501	138,841	252,806	2,781,520
Total liabilities and fund balances	\$ 1,087,435	\$ 658,647	\$ 855,222	\$ 196,863	\$ 279,434	\$ 254,104	\$ 3,331,705

Township of Bruce

Governmental Funds Reconciliation of Fund Balances to the Statement of Net Assets Year Ended March 31, 2006

Total Fund Balances for Governmental Funds			\$ 2,781,520
Amounts reported for governmental activities in the statement of net assets are different because:			
Capital assets used in governmental activities are not financial resources and are not reported in the funds:			
Cost of capitalized assets	\$ 6,434,106		
Accumulated depreciation	<u>(3,132,995)</u>	3,301,111	
Revenue related to receivables is reported in the statement of net assets at the time it is earned without regard to timeliness of remittance			248,940
Long-term liabilities are not due and payable in the current period and are not recorded in the funds			(741,083)
Accrued interest payable is not reported in the funds			<u>(3,163)</u>
Total Net Assets of Governmental Activities			<u>\$ 5,587,325</u>

Township of Bruce

Governmental Funds Statement of Revenue, Expenditures, and Changes in Fund Balances Year Ended March 31, 2006

	General Fund	Fire	Advanced Life Support	Romeo Service Contract	2002 Special Assessment	Nonmajor Governmental Funds	Total Governmental Funds
Revenue							
Property taxes	\$ 317,366	\$ 569,576	\$ 801,444	\$ -	\$ -	\$ -	\$ 1,688,386
Licenses and permits	66,346	-	-	-	-	-	66,346
Federal grants	-	40,292	-	-	-	-	40,292
State-shared revenue	422,636	-	-	-	-	-	422,636
Charges for services	-	39,490	132,204	415,890	-	-	587,584
Special assessments	11,312	-	5,810	3,823	31,631	-	52,576
Interest earned	92,361	12,018	10,064	5,107	4,144	205	123,899
Other	98,363	1,017	13,660	-	-	1,200	114,240
Total revenue	1,008,384	662,393	963,182	424,820	35,775	1,405	3,095,959
Expenditures							
Current:							
General government	529,806	-	-	-	-	-	529,806
Public safety	-	468,024	785,456	414,287	-	-	1,667,767
Public services	213,462	-	-	-	-	5,330	218,792
Employee benefits and insurance	243,054	-	-	-	-	-	243,054
Community and economic development	111,620	-	-	-	-	-	111,620
Capital outlay	24,402	51,209	2,755	-	-	9,728	88,094
Debt service	-	89,453	24,078	-	49,825	-	163,356
Total expenditures	1,122,344	608,686	812,289	414,287	49,825	15,058	3,022,489
Excess of Revenue Over (Under) Expenditures	(113,960)	53,707	150,893	10,533	(14,050)	(13,653)	73,470
Other Financing Sources (Uses)							
Transfers in (Note 5)	928	-	50,000	-	-	-	50,928
Transfers out (Note 5)	-	-	-	(50,000)	-	(928)	(50,928)
Total other financing sources (uses)	928	-	50,000	(50,000)	-	(928)	-
Net Change in Fund Balances	(113,032)	53,707	200,893	(39,467)	(14,050)	(14,581)	73,470
Fund Balances - Beginning of year	982,293	578,763	607,748	118,968	152,891	267,387	2,708,050
Fund Balances - End of year	<u>\$ 869,261</u>	<u>\$ 632,470</u>	<u>\$ 808,641</u>	<u>\$ 79,501</u>	<u>\$ 138,841</u>	<u>\$ 252,806</u>	<u>\$ 2,781,520</u>

Township of Bruce

Governmental Funds Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended March 31, 2006

Net Change in Fund Balances - Total Governmental Funds	\$	73,470
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation	62,026
Depreciation is recorded as an expense in the statement of activities but not in the governmental funds	(247,701)
Special assessment revenues are recorded in the statement of activities when the assessment is set; they are not reported in the funds until collected or collectible within 60 days of year end	(22,712)
Revenue is reported in the statement of activities at the time it is earned, without regard to timeliness of collection	(2,207)
Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)	139,006
Accrued interest is recorded on debt when incurred in the statement of activities	758
Change in accumulated employee sick and vacation pay is recorded when earned in the statement of activities	(49,188)

Change in Net Assets of Governmental Activities	\$	<u>(46,548)</u>
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Township of Bruce

Proprietary Fund - Enterprise - Sewer Fund Statement of Net Assets March 31, 2006

Assets

Current assets:

Cash and cash equivalents (Note 2)	\$ 1,245,675
Receivables - Customers	42,915
Receivables - Other	<u>7,113</u>

Total current assets 1,295,703

Noncurrent assets:

Restricted assets (Note 6)	1,413,466
Capital assets (Note 4):	
Nondepreciable capital assets	1,955,296
Depreciable capital assets	<u>2,767,429</u>

Total noncurrent assets 6,136,191

Total assets 7,431,894

Liabilities

Current liabilities:

Accounts payable	55,775
Construction payable	525,884
Accrued and other liabilities	<u>388</u>

Total current liabilities 582,047

Noncurrent liabilities - Long-term debt (Note 7) 3,341,250

Total liabilities 3,923,297

Net Assets

Investment in capital assets - Net of related debt	2,794,941
Unrestricted	<u>713,656</u>

Total net assets \$ 3,508,597

Township of Bruce

Proprietary Fund - Enterprise - Sewer Fund Statement of Revenue, Expenses, and Changes in Net Assets Year Ended March 31, 2006

Operating Revenue - Charges for services	\$ 213,502
Operating Expenses	
Cost of sewage disposal	60,489
Operation and maintenance	129,188
General and administration	27,084
Depreciation and amortization	<u>69,324</u>
Total operating expenses	<u>286,085</u>
Operating Loss	(72,583)
Nonoperating Revenue (Expense)	
Interest income	119,735
Interest expense	<u>(94,459)</u>
Total nonoperating expense	<u>25,276</u>
Change in Net Assets	(47,307)
Net Assets - Beginning of year	<u>3,555,904</u>
Net Assets - End of year	<u><u>\$ 3,508,597</u></u>

Township of Bruce

Proprietary Fund - Enterprise - Sewer Fund Statement of Cash Flows Year Ended March 31, 2006

Cash Flows from Operating Activities	
Receipts from customers	\$ 233,416
Payments to suppliers	<u>(185,837)</u>
Net cash provided by operating activities	47,579
Cash Flows from Capital and Related Financing Activities	
Purchase of capital assets	(1,429,412)
Principal and interest paid on debt	<u>(94,459)</u>
Net cash used in capital and related financing activities	(1,523,871)
Cash Flows from Investing Activities - Interest received on investments	<u>119,735</u>
Net Decrease in Cash and Cash Equivalents	(1,356,557)
Cash and Cash Equivalents - Beginning of year	<u>4,015,698</u>
Cash and Cash Equivalents - End of year	<u>\$ 2,659,141</u>
Balance Sheet Classification of Cash and Cash Equivalents	
Cash and cash equivalents	\$ 1,245,675
Restricted assets	<u>1,413,466</u>
Total	<u>\$ 2,659,141</u>
Reconciliation of Operating Loss to Net Cash from Operating Activities	
Operating loss	\$ (72,583)
Adjustments to reconcile operating loss to net cash from operating activities:	
Depreciation and amortization	69,324
Changes in assets and liabilities:	
Receivables	19,914
Accounts payable	30,891
Accrued and other liabilities	<u>33</u>
Net cash provided by operating activities	<u>\$ 47,579</u>

There were no noncash capital, financing, or investing activities during the year.

Township of Bruce

Fiduciary Funds **Statement of Assets and Liabilities - Agency Funds** **March 31, 2006**

Assets

Cash and cash equivalents	\$ 307,383
Receivables - Contracts and other	2,297
Due from other governmental units	<u>52,720</u>

Total assets	<u><u>\$ 362,400</u></u>
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Liabilities

Due to other governmental units	\$ 151,332
Accrued and other liabilities	112,002
Deposits	<u>99,066</u>

Total liabilities	<u><u>\$ 362,400</u></u>
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Township of Bruce

Notes to Financial Statements March 31, 2006

Note 1 - Summary of Significant Accounting Policies

The accounting policies of the Township of Bruce (the "Township") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Township of Bruce:

Reporting Entity

The Township is governed by an elected, five-member board of trustees. The accompanying financial statements present the Township and its component units, entities for which the Township is considered to be financially accountable. Although blended component units are legal separate entities, in substance, they are a part of the Township's operations.

Blended Component Units - The Building Authority is governed by a board that is appointed by the Township board. Although it is legally separate from the Township, it is reported as if it were part of the primary government because its sole purpose is to finance and construct the Township's public buildings.

The Township's Economic Development Corporation and Hospital Finance Authority have no financial activity and, therefore, are excluded from the Township's basic financial statements.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Township of Bruce

Notes to Financial Statements March 31, 2006

Note 1 - Summary of Significant Accounting Policies (Continued)

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual Enterprise Funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The following major revenue sources meet the availability criterion: state-shared revenue and interest associated with the current fiscal period. Conversely, special assessments and federal grant reimbursements will be collected after the period of availability; receivables have been recorded for these, along with a "deferred revenue" liability.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

The Township reports the following major governmental funds:

General Fund - The General Fund is the Township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Fire Fund - The Fire Fund accounts for fire safety and protection services/activities within the Township. Funding is provided primarily through a local property tax levy.

Note 1 - Summary of Significant Accounting Policies (Continued)

Advanced Life Support Fund - The Advanced Life Support Fund accounts for emergency medical response services/activities within the Township. Funding is provided primarily through a local property tax levy and a user charge for ambulance services.

Romeo Service Contract Fund - The Romeo Service Contract Fund accounts for fire safety and protection services/activities within the Village of Romeo. Funding is provided primarily through user charges charged to the Village of Romeo.

2002 Special Assessment Fund - The 2002 Special Assessment Fund accounts for the construction activities related to a Township paving project and is funded by the residents receiving the benefit of the paving project.

The Township reports the following major Enterprise Fund:

Sewer Fund - The Sewer Fund accounts for the activities of the sewage and storm water collection system. Funding is primarily through user charges.

Additionally, the Township reports the following fund type:

Agency Funds - The Agency Funds account for assets held by the Township in a trustee capacity. Agency Funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations.

Private sector standards of accounting issued prior to December 1, 1989 are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The Township has elected not to follow private sector standards issued after November 30, 1989 for its business-type activities.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the Township's sewer function and various other functions of the Township. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

Note 1 - Summary of Significant Accounting Policies (Continued)

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of our proprietary funds relates to charges to customers for sales and services. The Sewer Fund also recognizes the portion of tap fees intended to recover current costs (e.g., labor and materials to hook up new customers) as operating revenue. The portion intended to recover the cost of the infrastructure is recognized as nonoperating revenue. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

Property Tax Revenue

Property taxes are levied on each December 1 on the taxable valuation of property as of the preceding December 31. Taxes are considered delinquent on March 1 of the following year, at which time penalties and interest are assessed.

The Township's 2005 tax is levied and collectible on December 1, 2005 and is recognized as revenue in the year ended March 31, 2006, when the proceeds of the levy are budgeted and available for the financing of operations.

The 2005 taxable valuation of the Township totaled \$479.6 million, on which taxes levied consisted of 0.7914 mills for operating purposes. This resulted in \$379,545 for operating, which is recognized in the General Fund as tax revenue. The 2005 taxable valuation of the Township, excluding property within the Village of Romeo, totaled \$290.5 million, on which taxes levied consisted of 1.94 mills for fire services and 2.75 mills for advanced life support services. This resulted in \$563,563 for fire services and \$798,865 for advanced life support services. These amounts are recognized in the respective Special Revenue Funds as tax revenue.

Assets, Liabilities, and Net Assets or Equity

Bank Deposits and Investments - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Township of Bruce

Notes to Financial Statements March 31, 2006

Note 1 - Summary of Significant Accounting Policies (Continued)

Receivables and Payables - In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances." All trade and property tax receivables are shown as net of allowance for uncollectible amounts.

Prepaid Items - Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets - Capital assets, which include property, buildings, equipment, furniture and fixtures, vehicles, and sewer systems, are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Capital assets are depreciated using the straight-line method over the following useful lives:

Sewer system	30-60 years
Buildings	40 years
Fire vehicles and equipment	5-12 years
Machinery and equipment	5-7 years
Election equipment	5 years

Compensated Absences - It is the Township's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. All vacation and sick pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only for employee terminations as of year end.

Township of Bruce

Notes to Financial Statements March 31, 2006

Note 1 - Summary of Significant Accounting Policies (Continued)

Long-term Obligations - In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund-type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognized bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

Fund Equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

The Township tracks the results of building department operations in the General Fund. In accordance with Michigan Public Act 245 of 1999 (the "Act"), the Township is required to maintain an accounting system that separately accumulates revenue and expenditures related to the building department function. As required under provisions of the Act, the Township adopted this accounting treatment effective January 1, 2000. A summary of the activity since January 1, 2000 is as follows:

Accumulated expenditures over revenue - April 1, 2005	\$ (284,415)
2005-2006 building department activity:	
Current year revenue	66,346
Current year expenditures	<u>(122,066)</u>
Excess of expenditures over revenue	<u>(55,720)</u>
Accumulated expenditures over revenue - March 31, 2006	<u><u>\$ (340,135)</u></u>

Note 2 - Deposits and Investments

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan. The Township has designated nine banks for the deposit of its funds.

The Township's deposits and investment policies are in accordance with statutory authority.

The Township's cash and investments are subject to several types of risk, which are examined in more detail below:

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. The Township does not have a deposit policy for custodial credit risk. At year end, the Township had approximately \$2,486,000 of bank deposits (certificates of deposit, checking, and savings accounts) that were uninsured and uncollateralized. The Township believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Township evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Credit Risk

State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The Township's investment policy does not further limit its investment choices.

Township of Bruce

Notes to Financial Statements March 31, 2006

Note 2 - Deposits and Investments

At year end, the deposits and investments were reported in the basic financial statements in the following categories:

Investment	Fair Value	Rating	Rating Organization
Bank investment pools	\$ 951,552	AI - AAA	Standard and Poor's
Bank investment pools	2,409,352	Nonrated	

Note 3 - Deferred Revenue

Governmental funds report deferred revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds and governmental activities also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue are as follows:

	Unavailable	Unearned	Total
Romeo service contract	\$ -	\$ 84,754	\$ 84,754
Special assessments	216,329	-	216,329
State-shared revenue	32,611	-	32,611
Total	<u>\$ 248,940</u>	<u>\$ 84,754</u>	<u>\$ 333,694</u>

Township of Bruce

Notes to Financial Statements March 31, 2006

Note 4 - Capital Assets

Capital asset activity of the Township's governmental and business-type activities was as follows:

	Balance April 1, 2005	Additions	Disposals and Adjustments	Balance March 31, 2006
Governmental Activities				
Capital assets not being depreciated -				
Land	\$ 746,770	\$ -	\$ (66,000)	\$ 680,770
Capital assets being depreciated:				
Buildings	3,320,902	-	66,000	3,386,902
Fire vehicles and equipment	2,134,278	48,452	-	2,182,730
Machinery and equipment	137,328	13,574	-	150,902
Election equipment	32,800	-	-	32,800
Subtotal	5,625,308	62,026	66,000	5,753,334
Accumulated depreciation:				
Buildings	1,497,891	92,220	-	1,590,111
Fire vehicles and equipment	1,280,452	134,334	-	1,414,786
Machinery and equipment	74,151	21,147	-	95,298
Election equipment	32,800	-	-	32,800
Subtotal	2,885,294	247,701	-	3,132,995
Net capital assets being depreciated	2,740,014	(185,675)	66,000	2,620,339
Net capital assets	<u>\$ 3,486,784</u>	<u>\$ (185,675)</u>	<u>\$ -</u>	<u>\$ 3,301,109</u>
Business-type Activities				
Capital assets not being depreciated -				
Construction in progress	\$ 82,502	\$ 1,872,794	\$ -	\$ 1,955,296
Capital assets being depreciated:				
Sewer system	3,959,568	-	-	3,959,568
Accumulated depreciation	1,122,815	69,324	-	1,192,139
Net capital assets being depreciated	2,836,753	(69,324)	-	2,767,429
Net capital assets	<u>\$ 2,919,255</u>	<u>\$ 1,803,470</u>	<u>\$ -</u>	<u>\$ 4,722,725</u>

Township of Bruce

Notes to Financial Statements March 31, 2006

Note 4 - Capital Assets (Continued)

Depreciation expense was charged to programs of the primary government as follows:

Governmental activities:

General government	\$ 113,367
Fire services	<u>134,334</u>

Total governmental activities	<u>\$ 247,701</u>
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Business-type activities - Sewer	<u>\$ 69,324</u>
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Note 5 - Interfund Receivables, Payables, and Transfers

The composition of interfund balances is as follows:

Receivable Fund	Payable Fund	Amount
Due to/from Other Funds		
General Fund	Fire Fund	\$ 10,450
General Fund	Nonmajor governmental funds	1,298
Fire Fund	Advanced Life Support Fund	40
Advanced Life Support Fund	General Fund	714
Advanced Life Support Fund	Fire Fund	107
Romeo Service Contract Fund	Fire Fund	82
Nonmajor governmental funds	General Fund	<u>32</u>
Total		<u>\$ 12,723</u>

These balances result from the time lag between the dates that goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and payments between funds are made.

Township of Bruce

Notes to Financial Statements March 31, 2006

Note 5 - Interfund Receivables, Payables, and Transfers (Continued)

Interfund transfers reported in the fund financial statements are comprised of the following:

<u>Fund Providing Resources</u>	<u>Fund Receiving Resources</u>	<u>Amount</u>	
Romeo Service Contract Fund	Advanced Life Support Fund	\$ 50,000	(1)
Nonmajor governmental funds	General Fund	<u>928</u>	(2)
Total		<u>\$ 50,928</u>	

(1) Transfer of discretionary funds to be used for the benefit of the community

(2) Transfer of remaining fund balance for Debt Service Fund after the debt has been repaid

Note 6 - Restricted Assets

The business-type activities' restricted cash and cash equivalents are comprised of unspent bond proceeds in the Sewer Fund that are required to be set aside for construction.

Note 7 - Long-term Debt

The Township issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the Township. County contractual agreements and installment purchase agreements are also general obligations of the government. Special assessment bonds provide for capital improvements that benefit specific properties, and will be repaid from amounts levied against those properties benefited from the construction. In the event that a deficiency exists because of unpaid or delinquent special assessments at the time a debt service payment is due, the Township is obligated to provide resources to cover the deficiency until other resources (such as tax sale proceeds or a re-assessment of the district) are received.

Township of Bruce

Notes to Financial Statements March 31, 2006

Note 7 - Long-term Debt (Continued)

Long-term obligation activity can be summarized as follows:

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	(Reductions)	Ending Balance	Due Within One Year
Governmental Activities							
Installment purchase agreements:							
2002 Huntington National Bank Fire Truck Loan							
Amount of issue: \$300,000		\$62,361 -					
Maturing through February 11, 2007	4.00%	\$64,862	\$ 127,253	\$ -	\$ (62,361)	\$ 64,892	\$ 64,892
Fire Station Loan							
Amount of issue: \$400,000		\$24,481 -					
Maturing through October 1, 2012	3.86%	\$46,322	310,817	-	(36,645)	274,172	38,105
Special assessment bonds - 2002 Limited tax bonds							
Amount of issue: \$375,000	3.04% -	\$35,000 -					
Maturing through February 1, 2012	6.40%	\$40,000	275,000	-	(40,000)	235,000	40,000
Total governmental activities debt outstanding			713,070	-	(139,006)	574,064	142,997
Other long-term obligations - Compensated absences			117,831	144,489	(95,301)	167,019	16,996
Total governmental activities			830,901	144,489	(234,307)	741,083	159,993
Business-type Activities							
General obligation bonds - 2004 Improvement Bonds							
Amount of issue: \$3,375,000	4.15% -	\$25,000 -					
Maturing through October 1, 2033	5.30%	\$200,000	3,375,000	-	-	3,375,000	-
Less unamortized discount on issuance			(33,750)	-	-	(33,750)	-
Total business-type activities			3,341,250	-	-	3,341,250	-
Total governmental and business-type activities			\$ 4,172,151	\$ 144,489	\$ (234,307)	\$ 4,082,333	\$ 159,993

Township of Bruce

Notes to Financial Statements March 31, 2006

Note 7 - Long-term Debt (Continued)

Annual debt service requirements to maturity for the above bonds and note obligations are as follows:

	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2007	\$ 142,997	\$ 20,338	\$ 163,335	\$ -	\$ 165,013	\$ 165,013
2008	79,601	15,530	95,131	25,000	164,350	189,350
2009	79,601	14,170	93,771	50,000	162,363	212,363
2010	82,843	9,568	92,411	50,000	159,713	209,713
2011	83,220	5,131	88,351	50,000	157,063	207,063
2012-2016	105,802	3,536	109,338	425,000	726,925	1,151,925
2017-2021	-	-	-	575,000	612,244	1,187,244
2022-2026	-	-	-	725,000	460,706	1,185,706
2027-2031	-	-	-	875,000	261,269	1,136,269
2032-2033	-	-	-	600,000	45,450	645,450
Total	<u>\$ 574,064</u>	<u>\$ 68,273</u>	<u>\$ 642,337</u>	<u>\$ 3,375,000</u>	<u>\$ 2,915,096</u>	<u>\$ 6,290,096</u>

Note 8 - Joint Ventures

The Township is a member of four joint ventures:

- Romeo-Washington-Bruce Parks and Recreation (R.W.B.P.R.)
- Senior transportation through Advanced Reservation (S.T.A.R.)
- Romeo-Washington-Bruce Tri-Community Cable Communications Commission
- Romeo District Library

The joint ventures' governing boards are comprised of appointed members from each participating municipality. The Township appoints three members each to R.W.B.P.R.'s and S.T.A.R.'s governing boards, two members to the Tri-Community Cable Communications Commission governing board, and one member to the Romeo District Library board. The boards then approve the annual budgets.

The principal revenue sources of R.W.B.P.R., S.T.A.R., and the Romeo District Library are user fees and a voted property tax. The principal revenue source for the Tri-Community Cable Communications Commission is appropriations from the three communities that are equal to the fees paid to the communities by the cable operator.

Note 8 - Joint Ventures (Continued)

The Township is unaware of any circumstances that would cause an additional benefit or burden to the participating governments in the near future. There is no definable equity interest in any of these joint ventures. Complete financial statements for the joint ventures can be obtained from the administrative offices at 223 East Gates Street, Romeo, Michigan.

Note 9 - Risk Management

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Township has purchased commercial insurance for all such risks. Settled claims relating to insurance plans have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Note 10 - Defined Contribution Retirement Plan

The Township provides pension benefits to all of its full-time employees and specifically identified part-time employees through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. As established by the Township board, the Township contributes 16 percent of full-time employees' and 10 percent of part-time employees' base earnings. In accordance with these requirements, the Township contributed \$184,864 and the employees contributed \$54,939 during the current year.

Note 11 - Accounting and Reporting Changes

Upcoming Reporting Change - The Governmental Accounting Standards Board has recently released Statement Number 45, *Accounting and Reporting by Employers for Postemployment Benefits Other Than Pensions*. The new pronouncement provides guidance for local units of government in recognizing the cost of retiree health care, as well as any other postemployment benefits (other than pensions). The new rules will cause the government-wide financial statements to recognize the cost of providing retiree health care coverage over the working life of the employee, rather than at the time the health care premiums are paid. The new pronouncement is effective for the year ending March 31, 2010.

Required Supplemental Information

Township of Bruce

Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended March 31, 2006

	Original Budget	Amended Budget	Actual
Revenues			
Property taxes	\$ 395,274	\$ 395,274	\$ 317,366 *
Licenses and permits	77,000	77,000	66,346
State sources	439,945	439,945	422,636
Special assessments	-	-	11,312
Interest income	25,000	25,000	92,361
Other	122,593	122,593	98,363
Transfers from other funds	104,000	104,000	928
Total revenues	1,163,812	1,163,812	1,009,312
Expenditures			
General government:			
Township board	35,825	35,825	30,429
Township supervisor	43,725	43,725	43,724
Elections	12,000	12,150	12,707
Assessing	138,313	145,013	145,246
Legal fees	20,000	26,000	25,629
Township clerk	43,725	43,725	43,724
General office	112,961	112,961	100,631
Accounting and audit	59,397	70,897	71,283
Board of Review	1,000	1,000	900
Tax roll preparation	14,738	14,738	11,809
Township treasurer	43,725	43,725	43,724
Public services:			
Zoning Board of Appeals	1,625	3,725	1,917
Cemeteries	9,200	9,200	6,668
Township hall	22,650	28,650	29,054
Inspections	129,567	130,067	122,066
Street lighting	6,825	8,325	8,643
Engineering	7,000	12,000	25,494
Planning	18,200	18,200	13,995
Ordinance enforcement	10,000	10,000	5,625
Employee benefits and insurance:			
Insurance and other	141,225	143,625	134,743
Pension plan	60,000	63,000	66,519
Employer payroll taxes	41,000	41,000	41,792
Capital outlay and other:			
Road chloride and paving	31,000	66,500	63,320
Capital outlay	12,811	26,411	24,402
Cable TV studio	48,300	48,300	48,300
Transfers to other funds	104,000	104,000	-
Total expenditures	1,168,812	1,262,762	1,122,344
Net Change in Fund Balance	(5,000)	(98,950)	(113,032)
Fund Balance - Beginning of year	982,293	982,293	982,293
Fund Balance - End of year	<u>\$ 977,293</u>	<u>\$ 883,343</u>	<u>\$ 869,261</u>

* Property tax revenue reflects an adjustment for an estimated liability for a tax tribunal case.

Township of Bruce

Required Supplemental Information Budgetary Comparison Schedule Major Special Revenue Funds - Fire Fund Year Ended March 31, 2006

	Original Budget	Amended Budget	Actual
Revenues			
Current taxes	\$ 521,120	\$ 521,120	\$ 569,576
Charges for services	50,000	50,000	39,490
Interest earned	2,980	2,980	12,018
Federal sources	-	44,000	40,292
Other local revenue	-	-	1,017
Total revenues	574,100	618,100	662,393
Expenditures			
Public safety	457,100	552,240	468,024
Capital outlay	10,700	10,700	51,209
Debt service	91,300	91,300	89,453
Total expenditures	559,100	654,240	608,686
Net Change in Fund Balance	15,000	(36,140)	53,707
Fund Balance - Beginning of year	578,763	578,763	578,763
Fund Balance - End of year	<u><u>\$ 593,763</u></u>	<u><u>\$ 542,623</u></u>	<u><u>\$ 632,470</u></u>

Township of Bruce

Required Supplemental Information Budgetary Comparison Schedule Major Special Revenue Funds - Advanced Life Support Fund Year Ended March 31, 2006

	Original Budget	Amended Budget	Actual
Revenues			
Current taxes	\$ 684,978	\$ 684,978	\$ 801,444
Charges for services	45,000	45,000	132,204
Special assessments	-	-	5,810
Interest earned	2,000	2,000	10,064
Other local revenue	-	-	13,660
Transfers from other funds	-	-	50,000
	<hr/>	<hr/>	<hr/>
Total revenues	731,978	731,978	1,013,182
Expenditures			
Public safety	699,900	802,300	785,456
Capital outlay	5,000	5,000	2,755
Debt service	25,000	25,000	24,078
	<hr/>	<hr/>	<hr/>
Total expenditures	729,900	832,300	812,289
	<hr/>	<hr/>	<hr/>
Net Change in Fund Balance	2,078	(100,322)	200,893
	<hr/>	<hr/>	<hr/>
Fund Balance - Beginning of year	607,748	607,748	607,748
	<hr/>	<hr/>	<hr/>
Fund Balance - End of year	<u><u>\$ 609,826</u></u>	<u><u>\$ 507,426</u></u>	<u><u>\$ 808,641</u></u>

Township of Bruce

Required Supplemental Information Budgetary Comparison Schedule Major Special Revenue Funds - Romeo Service Contract Fund Year Ended March 31, 2006

	Original Budget	Amended Budget	Actual
Revenues			
Charges for services	\$ 427,360	\$ 427,360	\$ 415,890
Special assessments	-	-	3,823
Interest earned	<u>1,500</u>	<u>1,500</u>	<u>5,107</u>
Total revenues	428,860	428,860	424,820
Expenditures			
Public safety	397,200	424,300	414,287
Capital outlay	500	500	-
Operating transfers out	<u>-</u>	<u>50,000</u>	<u>50,000</u>
Total expenditures	<u>397,700</u>	<u>474,800</u>	<u>464,287</u>
Net Change in Fund Balance	31,160	(45,940)	(39,467)
Fund Balance - Beginning of year	<u>118,968</u>	<u>118,968</u>	<u>118,968</u>
Fund Balance - End of year	<u><u>\$ 150,128</u></u>	<u><u>\$ 73,028</u></u>	<u><u>\$ 79,501</u></u>

Township of Bruce

Note to Required Supplemental Information March 31, 2006

Note - Budgetary Information

Budgetary Information - Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund and all Special Revenue Funds except that operating transfers have been included in the "revenue" and "expenditures" categories, rather than as "other financing sources (uses)." All annual appropriations lapse at fiscal year end.

The budget document presents information by fund, function, department, and line items. The legal level of budgetary control adopted by the governing body is the fund level and is the classification detail at which expenditures may not legally exceed appropriations.

Amounts encumbered for purchase orders, contracts, etc. are not tracked during the year. Budget appropriations are considered to be spent once the goods are delivered or the services rendered.

Excess of Expenditures Over Appropriations in Budgeted Funds - During the year, the Township of Bruce incurred expenditures that were in excess of the amounts budgeted, as follows:

	Amended Budget	Actual
General Fund:		
Elections	\$ 12,150	\$ 12,707
Assessing	145,013	145,246
Accounting and audit	70,897	71,283
Township hall	28,650	29,054
Street lighting	8,325	8,643
Engineering	12,000	25,494
Pension plan	63,000	66,519
Employer payroll taxes	41,000	41,792
Fire Fund - Capital outlay	10,700	51,209

Other Supplemental Information

Township of Bruce

Other Supplemental Information Combining Balance Sheet Nonmajor Governmental Funds March 31, 2006

	Special Revenue Funds		Debt Service Fund	Total Nonmajor Governmental Funds
	Improvement Revolving	McCafferty Cemetery	Debt Service	
Assets				
Cash and investments	\$ 242,766	\$ 11,289	\$ -	\$ 254,055
Receivables - Other	15	2	-	17
Due from other funds	32	-	-	32
Total assets	<u>\$ 242,813</u>	<u>\$ 11,291</u>	<u>\$ -</u>	<u>\$ 254,104</u>
Liabilities and Fund Balances				
Liabilities - Due to other funds	\$ 1,298	\$ -	\$ -	\$ 1,298
Fund Balances - Unreserved				
McCafferty Cemetery - Designated for cemetery perpetual care	-	11,291	-	11,291
General Fund - Undesignated	241,515	-	-	241,515
Total fund balances	<u>241,515</u>	<u>11,291</u>	<u>-</u>	<u>252,806</u>
Total liabilities and fund balances	<u>\$ 242,813</u>	<u>\$ 11,291</u>	<u>\$ -</u>	<u>\$ 254,104</u>

Township of Bruce

Other Supplemental Information Combining Statement of Revenue, Expenditures, and Changes in Fund Balances - Nonmajor Governmental Funds Year Ended March 31, 2006

	Special Revenue Funds		Debt Service Fund	Total Nonmajor Governmental Funds
	Improvement Revolving	McCafferty Cemetery	Debt Service	
Revenue				
Interest earned	\$ -	\$ 205	\$ -	\$ 205
Other	-	1,200	-	1,200
Total revenue	-	1,405	-	1,405
Expenditures				
Current - Public services	-	5,330	-	5,330
Capital outlay	9,728	-	-	9,728
Total expenditures	9,728	5,330	-	15,058
Excess of Expenditures Over Revenue	(9,728)	(3,925)	-	(13,653)
Other Financing Uses - Transfers out	-	-	(928)	(928)
Net Change in Fund Balances	(9,728)	(3,925)	(928)	(14,581)
Fund Balances - Beginning of year	251,243	15,216	928	267,387
Fund Balances - End of year	<u>\$ 241,515</u>	<u>\$ 11,291</u>	<u>\$ -</u>	<u>\$ 252,806</u>

Township of Bruce

Other Supplemental Information Combining Statement of Assets and Liabilities Fiduciary Funds March 31, 2006

	Agency Funds		
	Current Tax	Trust and Agency	Total
Assets			
Cash and investments	\$ 365	\$ 307,018	\$ 307,383
Receivables - Contracts and other	16	2,281	2,297
Due from other governmental units	-	52,720	52,720
Total assets	<u>\$ 381</u>	<u>\$ 362,019</u>	<u>\$ 362,400</u>
Liabilities			
Due to other governmental units	\$ 277	\$ 151,055	\$ 151,332
Accrued and other liabilities	104	111,898	112,002
Deposits	-	99,066	99,066
Total liabilities	<u>\$ 381</u>	<u>\$ 362,019</u>	<u>\$ 362,400</u>



Plante & Moran, PLLC

Suite 200
10 S. Main St.
Mount Clemens, MI 48043
Tel: 586.465.2200
Fax: 586.469.0165
plantemoran.com

June 8, 2006

Board of Trustees
Township of Bruce
223 East Gates
Romeo, MI 48065

Dear Members of the Board:

We recently completed our audit of the basic financial statements of Township of Bruce for the year ended March 31, 2006. In addition to our audit report, we offer the following comments and recommendations for your consideration:

Revenue Sharing Estimates

The State's fiscal year 2005/2006 provides for both constitutional and statutory revenue sharing at approximately \$1.1 billion, which is basically the fiscal year 2004/2005 funding level. As with the past several years, revenue sharing payments on an individual community-by-community basis for fiscal year 2005/2006 will be funded at approximately fiscal year 2004/2005 levels.

The Governor's proposed 2006/2007 budget did not include any additional funding for local governments. As a result, it is expected that overall revenue sharing payments to communities for fiscal year 2006/2007 will remain stagnant at the 2004/2005 level.

Even though there is the expectation that revenue sharing will hold constant at prior year funding levels, continued caution should be exercised when budgeting this line item. While it is good news that revenue sharing may be maintained at current levels, sales tax revenue would support an increase to total state shared revenue payments. However, for fiscal years 2004/2005, 2005/2006, and 2006/2007, the appropriation in the State's budget for revenue sharing payments is over \$500 million less annually than amounts provided for in law and based on actual sales tax collections. For those three years, revenue sharing distributions are planned to be approximately \$1.6 billion less than amounts provided by statutory formulas. There appears to be no long term solution to the State's structural deficit in its General Fund and as long as this condition exists revenue sharing remains at risk and a return to past funding levels is not likely in the foreseeable future.

State shared revenue accounts for approximately 38% of the Township's total General Fund revenue. The table below details state shared revenue for the Township over the past five years broken out by statutory and constitutional portions. In addition, it details the total decrease in state shared revenue experienced by the Township compared to the State's fiscal year 2001.

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<u>State Fiscal Year</u>	<u>Statutory</u>	<u>Constitutional</u>	<u>Total</u>	<u>Decrease from 2001</u>
2001	\$105,369	\$414,985	\$520,354	\$-
2002	93,675	419,212	512,887	7,467
2003	72,873	429,309	499,182	21,172
2004	26,961	421,680	448,641	71,713
2005	12,009	431,742	443,751	76,603
2006	-	438,929	438,929	81,425
2007 (est.)	-	451,241	451,241	69,113

We will continue to update the Township as developments occur. The statutory formula expires in 2007 and requires action by the Legislature.

Retiree Healthcare Benefits

As you are aware, the Governmental Accounting Standards Board has released Statement Number 45, *Accounting and Reporting by Employers for Post Employment Benefits Other Than Pensions*. The pronouncement provides guidance for local units of government in recognizing the cost of retiree health care benefits. The intent of the new rules is to recognize the cost of providing retiree health care coverage over the working life of the employee, rather than at the time the health care premiums are paid.

The promise to provide health care to retirees is very similar to the promise to provide an annual pension check. Similar to reporting for pension plans, GASB 45 requires the Township to compute the estimated liability to provide retiree health care benefits to current employees as well as those already retired. Based upon the size of the Township's health care plan, less than 100 participants, GASB 45 allows township personnel to compute the liability or obtain a triennial actuarial valuation. In addition, the Township's funding status, meaning the progress it has made in accumulating assets to pay for this liability, will be disclosed in the financial statements. If the Township chooses to retain an actuary, the actuary will determine an annual required contribution necessary to fund the liability over a 30-year period or the Township will need to estimate this annual contribution. The Township will need to consider this increased cost for budgeting purposes since the annual payments will not only include the cost of current health insurance premiums for retirees, which currently includes only one retiree, but also contributions to a pre-funding plan.

The statement will be effective for the Township's 2009 fiscal year. The Township has proactively set aside funds for this liability by designating portions of fund balance in the General Fund and Advanced Life Support Fund. The Township has the option of implementing Act 149 of 1999 for funding the retiree health care fund in order to invest these monies in accordance with the Public Employees Retirement Investment Act. Over a long period, this should significantly reduce the

burden of funding the retiree health care burden. There are some stipulations that come with the legislation, such as a prohibition against using the funds in the future for anything other than retiree health care.

Specialized Internal Control Review

An auditor's responsibility in a generally accepted auditing standards' (GAAS) audit is to plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatements, whether caused by unintentional error or fraud. While we did not come across any misappropriation of assets during our testing, the Board may want to consider having a review done of its internal controls based upon the increased concern the public has over the security assets within entities. Such a review would focus on the design of current procedures in light of current Township needs and perceived vulnerability, including but not limited to the following areas:

- Cash receipting functions
- Cash disbursements procedures
- Purchasing activities
- Payroll processing procedures

Such a review involves discussing with employees the manner in which they perform their responsibilities related to cash handling procedures, reviewing actual transactions for alignment with the Township's policies and generating a list of potential areas where the Township may be vulnerable to breakdowns in their control system. Often times, minor modifications to supervisory oversight, procedures for approvals of transactions, and segregation of duties can be made that have a significant impact on improving and strengthening an overall internal control structure with the benefits exceeding costs, if any.

Accounting and Internal Control Matters

We commend the Board and administration on the action taken in response to some of the suggestions and comments noted in prior year management letters, including adoption of a wire transfer and credit card usage policy, limiting access to accounting software, and periodically reconciling key general ledger accounts to source journals and records. The following are items that were noted in the prior year management letter that the Township is currently considering:

- Unclaimed Property Escheatment Considerations – In reviewing the Township's outstanding building bonds, we noted multiple outstanding bonds which date back several years. We recommend the Township continually evaluate its compliance with the State of Michigan's Uniform Unclaimed Property Act and we are aware that the Township has been reviewing this and has some legal questions related to this area.
- Sewer Expansion Project – It is our understanding, based on discussions with Township personnel, that a budget for the sewer expansion project is currently unavailable. The Township should continue reviewing the billings from the Village of Romeo to ensure that they are in accordance with budgeted amounts discussed and that any change orders approved by the Village of Romeo are necessary and reasonable and will provide a benefit to the Township.

We would like to thank the Board for the opportunity to serve as auditors for the Township. We would also like to express our appreciation for the courtesy and cooperation extended to us by Ms. Brockmann, her department, and the entire administration during the audit. If you would like to discuss any of these matters, or would like assistance in their implementation, please contact us.

Very truly yours,

PLANTE & MORAN, PLLC



Christina M. Kostiuk



Thomas J. Clement